

## MEMORANDUM

**TO:** Investment Committee, CalSTRS  
**FROM:** Stephen McCourt, Allan Emkin, Mika Malone, Eric White, Stephanie Sorg,  
Meketa Investment Group  
**CC:** Christopher Ailman  
**DATE:** May 4, 2023  
**RE:** Concurrence Memo – Investment Policy Statement – First Reading

---

### Summary & Recommendation

In March 2023, Staff provided Meketa with draft language for the first reading of the Investment Policy Statement (“IPS”). The preliminary version of the IPS was presented at January Investment Committee meeting, and handful of updates and enhancements have been made since that time. The IPS represents the modernization of CalSTRS existing Investment Policy and Management Plan (“IPMP”). ***After independently evaluating Staff’s proposed first reading, Meketa concurs with Staff’s proposed Investment Policy Statement.***

### Discussion

Consistent with the items presented at the November 2022 and January 2023 Investment Committee meetings, the IPS transitions CalSTRS’ existing IPMP into a modernized policy document that is more consistent with industry peers. The recommended draft is based on significant peer review, best practice provided by the CFA Institute, and feedback received from the Investment Committee. Moreover, the IPS maintains the spirit and policy intent of the existing IPMP.

Below is an itemization of the updates and enhancements that have been made to the IPS since the preliminary reading at the January Investment Committee meeting:

- 1. Delegation of Authority (Section 1.4)** - Shifted the Board’s delegation of trading limit authority from individual Investment staff and placed it solely with the CIO. This includes specific trading delegations for public and private assets and the ability for the CIO to further delegate this authority to staff, which is consistent with existing policy. This update replaces “Attachment B” from the existing IPMP. Note that this change does not modify other delegated authority limits (e.g., commitments to external managers) that are defined within each asset class’s investment policy.
- 2. Long-term Policy Target Implementation (Section 1.5.1)** – Language has been updated for clarity and to reflect current practice.
- 3. Portfolio Rebalancing (Section 1.5.2)** – Language has been updated for clarity and to reflect current practice.
- 4. Investment Reporting (Section 1.7)** – Staff has included a description of investment reporting to outline differences in the presentation of investment values based on data aggregation methods.



5. **Benchmarks (Section 4.1)** - Asset class benchmarks exist within respective asset class policies. The Total Public Equity and the Cash/Liquidity benchmarks have been included in the IPS because they are not referenced in any other policies.
6. **Other Non-substantive Updates (Multiple Sections)** – Modernizing the existing IPMP did include various technical “cleanup” items that are listed below:
  - a. *Removal of Attachment A* – The Environmental, Social, and Governance Policy (Attachment A) is being separated from the IPS. This policy already exists on CalSTRS.com and it is duplicative to also have in the IPS.
  - b. *Removal of Investment Resolution* – Actions taken by the CalSTRS Board, as documented in the existing IPMP Resolution, are reflected in meeting minutes.
  - c. *Relocation of Ancillary Investment Information* – Supplementary and historical investment information are being transitioned to new webpage page on CalSTRS.com.

Meketa has independently reviewed the proposed IPS and concurs with Staff’s recommended changed.

If you have any questions, please feel free to contact us at (760) 795-3450.

SBS/EW/SPM/jls